SMSF Owners' Alliance
Limited ABN 96 161 052 464
Not-for-profit public company

Members' Newsletter #8/15

In this newsletter:

- New SMSF Policy Advisory Council formed
- Tax White Paper deadline on retirement incomes extended
- Should associations be advocating that their clients pay more tax?
- Who says you shouldn't have more than $2.5m in super?

SMSF Owners' Form SMSF Policy Advisory Council

The Chairman of the SMSF Owners' Alliance, Bruce Foy, has announced the formation of an SMSF Policy Advisory Council to offer strategic advice to the Board on how best to carry out its mission to promote and protect the interests of Australia's one million SMSF owners.

- The initial appointments to the SMSF Policy Advisory Council are:
- Diana D'Ambra, Chair of the Australian Shareholders' Association and former KPMG Executive Director
- Stuart Forsyth, previously a senior ATO executive dealing with the supervision of SMSFs and now a director of the advisory firm McPherson Super Consulting and a non-executive director of SuperIQ.
- Matthew Rowe, Managing Director of Hood Sweeney, a professional services firm providing accounting, wealth management and information technology to individual and business clients.

Mr Foy said:
"The appointment of Diana D'Ambra, Stuart Forsyth and Matthew Rowe to our new SMSF Policy Advisory Council will create a sounding board for ideas on the development of SMSF Owners as a strong representative voice for Australians who have stepped up to take responsibility for their own retirement savings.
Diana, Stuart and Matthew will bring an independent and knowledgeable perspective to the table and help to guide our thinking on the important strategic policy issues with which we are dealing."
Profiles of the appointed members of the SMSF Owners' Policy Advisory Council are below.

Diana D'Ambra
B.Com, M.Com, FCA, MAICD

Diana was appointed a Director of the Australian Shareholders' Association in January 2014 and was elected Chair in May 2015
Diana is also a non-executive director of the Australian Design Centre, Chair of its Finance and Audit & Risk Committee, a non-executive director of The Sydney Community Foundation and member of its Finance & Audit Committee, and is a member of a NSW government advisory board.
Diana has more than 30 years accounting and corporate finance experience in a global accounting

firm. Following her executive career, in 2013 Diana commenced her own consulting practice where she provides corporate finance and related strategic advice to corporates

Stuart Forsyth
B.Sc, LL.B

Stuart was appointed a Director of McPherson Super Consulting Pty Ltd on 28 November 2014.
He is also a non-executive Director of SuperIQ.
Stuart is the former Assistant Deputy Commissioner for Superannuation at the Australian Tax Office (ATO) and has a wealth of knowledge and experience. His responsibilities at the ATO included active compliance and risk and intelligence for all superannuation subject areas. He was also closely involved in the ATO's Stronger Super ruling on limited recourse borrowing arrangements for SMSF's.
Stuart's role at McPherson Super Consulting is to provide advice on superannuation matters to the accounting, legal and financial planning industries through education, training and support.
He is a Chartered Tax Adviser and an accredited member of the SMSF Association.

Matthew Rowe
B.Ec, CFP, CPA

Matthew is the Managing Director of Hood Sweeney, responsible for leading the organisation as it implements its strategic plan as well as managing the day-to-day operations and performance of the business.
He has almost 20 years' experience advising high net-worth clients and has significant experience as a business leader and company director.
Outside of Hood Sweeney, Matthew is a Trustee and Director of Future2 (the foundation of the financial planning profession) and mentors a number of CEO's and professionals.
Matthew has a deep understanding of financial services and was the longest serving Chair of the Financial Planning Association (FPA) Board. He has provided testimony at a number of Parliamentary Inquiries into financial planning.
Matthew was a member of the expert advisory group for finance learning standards with the Australian Business Deans Council.
Matthew is a Certified Financial Planner® practitioner and a Fellow Certified Practising Accountant He holds a Bachelor of Economics, Graduate Diploma in Accounting, a Diploma in Financial Planning and is a Graduate of the Australian Institute of Company Directors.

Govt extends Tax White Paper process

Treasurer Joe Hockey has extended the consultation period for the retirement incomes component of the current tax policy review.

He said the extension – until 24 July – will allow more time for interested parties to put their views on the key inter-actions between the age pension, superannuation, taxation and employment to allow more detailed consideration of the tax and transfer systems.

The extension was announced after the Government did a deal with the Greens to get its proposals to sharpen the part-pension taper rate through the Senate to cut pension payments to people with more than about $820k in assets outside the family home.

The Treasurer repeated the Government's promise not to increase taxes on superannuation or make access to superannuation in retirement less flexible.

SMSF Owners will remain actively engaged in this process.

Whose money is it?

One aspect of many of the White Paper submissions is the propensity for associations to 'give away' the money of the clients of their members by proposing new or higher taxes.

As we said in a recent media release, SMSF Owners does not support proposals for new taxes on superannuation.

We believe that the taxing of superannuation should be reformed to deliver a simpler, fairer and more effective retirement savings system. More tax on super is not the answer.

SMSF Owners strongly disagrees with submissions to the Tax White Paper that argue for new taxes on superannuation and limits on the size of accounts. Experts agree that the existing limits on contributions into super are the most economically efficient way of constraining super rather than taxing or constraining the investment achievements within super.

Furthermore, the taxing of savers who have legitimately accumulated balances under earlier tax regimes increases uncertainty about the security of superannuation as a savings vehicle and so reduces its effectiveness.

We believe organisations that put forward these proposals are not acting in the best interests of superannuation savers including the one million Australians who manage their own funds.

In its submission to the White Paper, the SMSF Association (not to be confused with us – **SMSF Owners**) expresses a preference for the status quo but goes on to canvas the idea of a tax on superannuation, noting that a tax on 'benefits' above $125k would affect an account with a balance of $2.5 million (that figure again).

As we have pointed out before, the SMSF Association does not represent SMSF owners but actually represents service providers to SMSFs including professional advisers who are obliged to act in the best interests of their clients. Is it in the best interests of their clients to go along with proposals to tax them more?

We believe it is not for industry associations and financial institutions to offer up their customers' savings by advocating new taxes.

Financial service providers should be standing up for the best interests of their clients and not be spooked by the misleading campaign being run by left-wing think tanks that the taxation of superannuation is unfair.

It is too easy to give in to this campaign by proposing new and higher taxation of superannuation savings.

The challenge is to improve the current system to make it a simpler and more efficient to deliver greater benefits for all Australians in retirement.

Nothing magical about ASFA's $2.5 million number

Sifting through the submissions to the Tax White Paper, we find many have picked up on proposals to either tax superannuation earnings in the retirement phase or limit the amount that can be held in a superannuation account.

The $2.5 million limit on tax-free savings has been promoted by ASFA (Association of Superannuation Funds of Australia) which represents major industry and retail funds. It's an easy give away for ASFA because the members of industry and retail funds don't accumulate such amounts. Of course, the high fees charged by the major funds are a factor – anybody with more than $500k million in superannuation finds it much cheaper to manage their retirement savings themselves in an SMSF and even people with lower balances will benefit from taking responsibility for the management of their own savings.
The proponents of new taxes on superannuation earnings in retirement and/or limiting the size of accounts really need to think through the consequences and practical issues raised by their proposals.

Our thoughts on ASFA's $2.5 million limit are:

1. The flow of money into superannuation is limited by contribution caps and this is the appropriate way to do it. An upfront limit is better than constraining the success of people in managing their funds.
2. Superannuation contributions are already taxed progressively (higher income earners pay twice the rate) and the progressive setting of tax on contributions can be further adjusted as necessary under the TEE system we proposed in our White Paper submission.
3. Calls for an upper limit on account balances impose a limit on success and dictate what is an acceptable retirement income. This is for individuals to judge and save for, not for others to determine. A better yardstick is the Reasonable Replacement Rate – a widely accepted concept that an adequate savings system should enable people to retire on an income about two thirds of what they earned while working.
4. Similarly, a tax on account earnings in retirement above a set limit penalises success. The $75k limit proposed by Labor is about the same as average weekly earnings. Are they saying nobody should aspire to be better than average? The Grattan Institute has gone further, saying the tax free limit should be $20k – actually even less than the basic pension. Are they saying there should no meaningful tax concessions on super?
5. Under the present contribution caps, it will be difficult, if not impossible, for people to amass very large account balances.
6. The very large account balances on which complaints about 'unfairness' are based are relatively few in number and were amassed under previous policy settings – e.g. the one-off $1m contribution window and prior unlimited after-tax contributions.
7. Setting arbitrary limits creates complexity and cost.
8. Account balances (and earnings) will fluctuate above and below the limit from year to year depending on the economy, fund performance and 'lumpy' capital gains on investments.
9. Then there are the, as yet, unanswered policy questions: Is the limit to be indexed annually? Can members of a fund re-balance accounts between them? Will capital gains from the sale of assets push account balances over the tax-free limit?
10. The other problem with setting limits is that they are liable to change as governments change. We've already seen the Labor Opposition's proposed earnings tax threshold drop from $100k to $75k.

If you have any further points to suggest, please drop an email to us: info@smsfoa.org.au

Having a say on tax

Apart from formal submissions, the Better Tax website - http://bettertax.gov.au/ shows some interesting tax 'snapshots' and invites comments from the public.

We liked this one:

Albert Anderson JP says:
Why has a tax system got to be so greedy as to tax the limited taxpayers able to pay tax over & over again? Income tax + GST + CGT + tax on savings + + + etc. all from the same cow! Sooner or later that cow is going to dry up.

Savings are just that…savings. That can only happen AFTER the taxman & everyone else has had their hand in your pocket and after you have put food on the table.

Savings are a hard won result of hard work & good budgetary discipline (unlike government entities) and are not easy to achieve. As such, there should be NO TAX on savings of any kind.

Big Day Out 2015

Big Day Out 2015

The Australian Shareholders Association is holding its Investors' Big Day Out Roadshows around Australia in August and September.

They invite SMSF owners to join fellow investors and industry experts for a comprehensive look at how to better manage your portfolio. In promoting the Investors' Big Day Out ASA says: "investing is no longer a set and forget strategy – to keep on top and manage risk you need to think 'outside the box'.

What effects will the global economy have on your portfolio? What's next for global markets? How can you develop a diversified income stream?

Learn the answers and more at the Investors' Big Day Out Roadshow."

20 August – Canberra

21 August – Melbourne

26 August – Adelaide

28 August – Perth

4 September – Sydney

5 September – Gold Coast

For further information and to register, go to:

https://www.australianshareholders.com.au/big-day-out-2015

SMSF Owners' Alliance Members' Newsletter #8/15

1 July 2015